

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7455

BILL NUMBER: SB 536

NOTE PREPARED: Jan 29, 2009

BILL AMENDED:

SUBJECT: PERF/TRF Annuity Savings Accounts.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill:

- (1) allows the Board of Trustees of the Public Employees' Retirement Fund (PERF) to establish by rule the valuation date for a member's annuity savings account (ASA) and the frequency, allocation, and timing of changes in a member's investment selections for the Legislators' Retirement System (LRS);
- (2) allows the PERF Board of Trustees and the Board of Trustees of the State Teachers' Retirement Fund (TRF) to establish a single composite interest or earnings rate in order to compute the interest or earnings credits on a member's omitted contributions in the guaranteed program or an alternate investment program;
- (3) allows the PERF and TRF boards to establish by rule due dates for employer contributions and reports;
- (4) requires employers to submit contributions and reports to PERF and TRF electronically after December 31, 2009, unless the employer obtains a waiver of the requirement for a period not to exceed two years; and
- (5) increases from \$200 to \$1,000 the maximum amount in a member's ASA for purposes of suspending the member's fund membership and paying the ASA in a lump sum.

Effective Date: July 1, 2009.

Summary of NET State Impact: The provisions of this bill will result in a net increase in annual expenditures for PERF estimated at \$1,602,500, and \$1,352,500 for TRF. The expenditures would be paid from the PERF and TRF administrative funds.

Explanation of State Expenditures: (1) PERF and TRF have signed a joint contract with a record keeper to change investment selections once each day. The contract charge is \$17.50 per member. As of June 30,

2008, PERF had approximately 140,000 members who would be affected while TRF had approximately 115,000. The \$17.50 charge per member would annually cost about \$2.45 M for PERF and \$2.01 M for TRF, based on the above membership.

The expenditures would be paid from the PERF and TRF administrative funds.

(2) Allowing the PERF and TRF Boards to establish a single composite interest or earnings rate will generate savings for PERF estimated at \$20,000 per year, and savings for TRF estimated at \$10,000 per year. The funds affected are the respective Administrative Funds.

(3) Allowing the PERF and TRF boards to establish due dates for employer contributions and reports will have no fiscal impact on either Administrative Fund.

TRF reported that this gives the Board the authority to apply employee ASA contributions sooner to a member's account. Under current law, it can take an average of 135 days before a member's contribution is applied to their account.

(4) Requiring employers to submit contributions and reports to PERF and TRF electronically may reduce the annual costs associated with these reports. The funds affected are the respective Administrative Funds. PERF has estimated cost savings for this at \$40,000 per year.

(5) (Revised) Increasing from \$200 to \$1,000 the maximum amount in a member's ASA for purposes of suspending the member's fund membership and paying the ASA in a lump sum will reduce costs by \$17.50 per affected member (see #1 above). TRF has approximately 37,000 inactive non-vested members with ASA balances less than \$1,000. This would save TRF \$647,500 per year (\$17.50/member x 37,000 members) in administrative costs. PERF has approximately 45,000 inactive members with ASA balances less than \$1,000. This would save PERF \$787,500 per year (\$17.50 x 45,000 members) in administrative costs. The funds affected are the respective Administrative Funds.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF.

Local Agencies Affected: Units with members in PERF; School corporations with members in TRF.

Information Sources: Terry Magid, Executive Director of PERF, 317-234-4375; Steve Barley, Chief Operating Officer, PERF, 317-317-233-4184; Steve Russo, Executive Director of TRF, 317-232-3864.

Fiscal Analyst: James Sperlik, 317-232-9866.